



S.C. T.M.K. - ARTROM S.A.

Draganesti Street , No. 30, 230119, SLATINA, OLT, ROMANIA

Tel: +40-249-436862 (top management), 434640, 434641; Fax: +40-249-434330, 437288

E-mail: office.slatina@tmk-artrom.ro; www.tmk-artrom.ro

J 28/9/1991; VAT No: RO 1510210/1992;

Subscribed Share Capital: 291.790.747, 94 lei

Paid Share Capital: 291.476.491, 26 lei

ADMINISTRATORS' REPORT

for the financial exercise of the year 2010, according
to the Order of the Ministry of Finances no. 3055/2009,

1. Performance and development presentation of the activities at SC T.M.K.-ARTROM S.A. and its financial position

SC T.M.K.-ARTROM SA SLATINA is a trade company with private capital whose main shareholder TMK Europa has acquired the control in the year 2002.

The company is administrated by a Board of Directors made up of seven members and it is operationally administrated by a Management Board made up of 4 members. The President of the Management Board is the General Manager and a member in the Board of Directors and he represents the company in its relations with third parts. The other three members of the Management Board are Executive Managers and they are not members of the Board of Directors.

In the year 2010, according to the balance sheet that has been elaborated according to the orders OMFP 3055/2009, OMFP 2869/2010 and OMFP 2870/2010 the company has registered a loss in sum of 10.897.336 lei which represents :

profit from exploitation	52.052.336 lei
loss from the financial activity	62.917.422 lei
extraordinary result	0 lei

According to the provisions of OUG34/2009, concerning the budget rectification for 2009 and the regulation of some financial and fiscal measures applied in 2010 too, the company has calculated a minimal tax in sum of 32.250 lei in 2010.

The loss of the year 2010 was mainly determined by the financial costs representing interests and exchange rate differences which have not been favourable.

By comparison with the same period of the previous year, we present the following:

THE SITUATION OF THE INCOMES	LEI		increase with	realization degree
	31.12.2009	31.12.2010		
			%	%
INCOMES FROM THE				
1 COMMERCE ACTIVITATY	25.497.323	560.184	-97,80	2,20
2 SOLD PRODUCTION	416.199.253	665.261.935	60,38	160,38
3 TURNOVER	441.696.576	665.822.119	50,74	150,74



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The turnover has increased with 50,74% in the year 2010 compared with the year 2009 as a consequence of the increase of the volume for the sold production from 114175 tons to 169311 tone (a increase with 48,3%) , of the increase of the average selling price with 9,5% but also as a consequence of the decrease of the sales of goods towards TMK Resita because of the change in 2010 of the way of sale of the refractory materials, ferroalloys, graphite electro purchased from TMK EUROPE GmbH and marketed by TMK RESITA SA; the value of materials is no longer reflected in the turnover but only the commission for these transactions.

The sold volume of pipes (production T.M.K.-ARTROM) that have been sold in the total of the turnover in the year 2010 is of 97,4%.

The company has registered in the year 2010 a physical production of 165.095 tons of pies.

The volume of the physical production has the following structure:

		2009	%	2010	%	%
Physical production from which:	tons	107.936	100,00	165.095	100,00	152,96
Internally	tons	18.809	17,43	32.565	19,73	173,14
for the export	tons	89.127	82,57	132.530	80,27	148,70



ISO 9001



ISO 14001



OHSAS 18001

5CT-0440
5L-0352AD-2000 W0 /W4 PED 97/23/EC
TRD 100/102,
Vd TUVEN 10210-1, 2
EN 10255

GL RULES

DIN 1629
EN 10210

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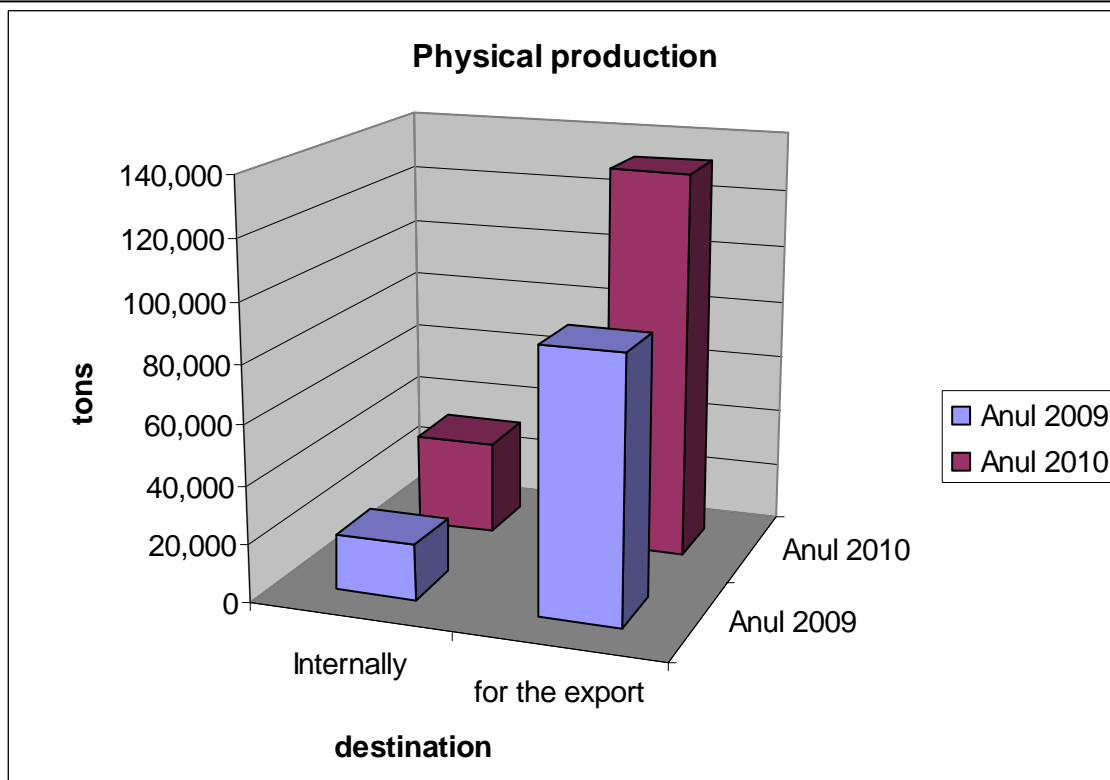
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The evolution of the production volume of pipes since the privatization of the company :

	year	quantity (t)
1	1999	24.177
2	2000	26.174
3	2001	42.153
4	2002	49.121
5	2003	59.315
6	2004	69.079
7	2005	81.955
8	2006	100.147
9	2007	165.196
10	2008	163.519
11	2009	107.936
12	2010	165.095



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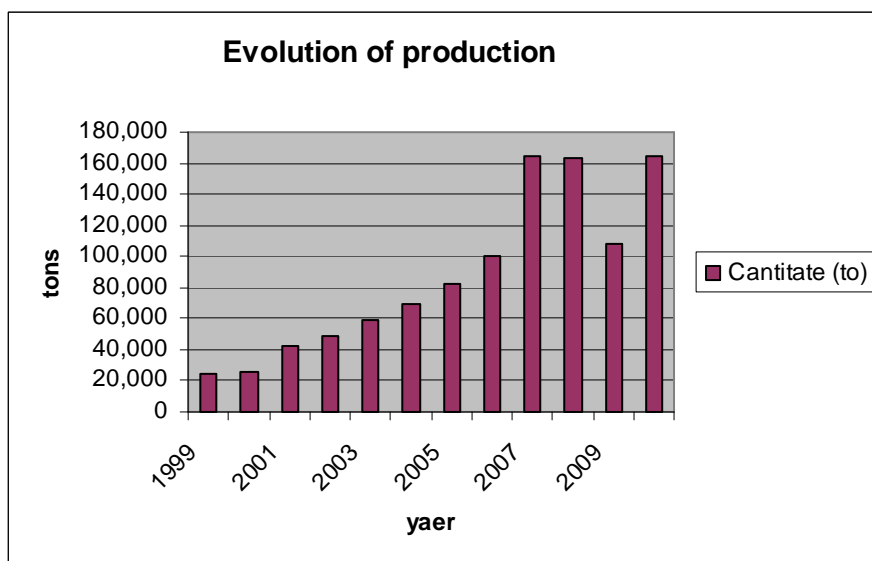
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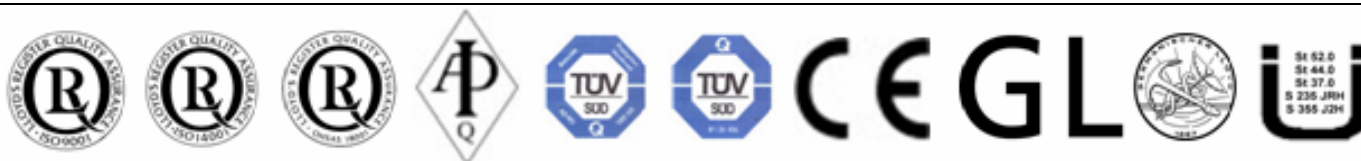


THE MAIN SALE MARKETS FOR THE PIPES

			2009	%	2010	%
1	INTERNAL MARKET	Thousand USD	25366	19,4	39095	19,2
2	EXPORT	Thousand USD	105474	80,6	164477	80,8
	total	Thousand USD	130840	100	203572	100

THE STRUCTURE OF THE SALES OF PIPES in the year 2010

				%	
1.	the internal market	tone	33805	20,0	in total sales
1.1.	sales in complete execution	tone	33787	99,9	in the total internal market
1.2.	sales in processing	tone	18	0,1	in the total internal market
2.	total export from which:	tone	135506	80,0	in total sales
2.1.	export in complete execution	tone	135506	100,0	in total export
2.2.	export in processing	tone	0	0,0	in total export
3.	total sales	tone	169311	100	total sales



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The sales of pipes for the internal market have a percentage of 18,66% in the total of the turnover and a percentage of 20 % in the total of quantitative sales of pipes.

The sales of pipes for the export have a percentage of 78,74% in the total turnover and a percentage of 80 % in the total of quantitative sales of pipes

As far as the exploitation costs are concerned, the situation is as it follows:

			31.12.2009	31.12.2010	Variation %
1	Expenses concerning the goods	lei	25.514.056	474.337	-98,1
2	Expenses with raw materials and with consumable materials	lei	263.087.422	436.935.104	66,1
3	Expenses with the energy, the gas and the water	lei	30.950.627	40.568.098	31,1
4	Expenses for the works and the services	lei	38.537.336	48.405.573	25,6
5	Expenses with the taxes and the payment obligations	lei	2.062.900	2.168.153	5,1
6	Expenses with the remunerations for the staff (inclusively the meal coupons)	lei	32.527.699	39.346.451	21,0
7	Expenses concerning the insurances and the social protection	lei	8.587.241	10.647.294	24,0
8	Other expenses	lei	2.484.800	5.431.982	118,6
9	Adjustments of value concerning the corporal and non-corporal immobilizations	lei	19.015.032	20.165.504	6,1
	Expenses	lei	19.015.032	20.165.504	
	Incomes	lei			
10	Adjustments in the value of circulating assets	lei	-1.467.690	77.953	-105,3
	Expenses	lei	115.572	420.751	
	Incomes	lei	1.583.262	342.798	
11	Adjustments concerning the provisions	lei	-1.678.286	1.629.071	-197,1
	Expenses	lei	76.620	3.520.939	
	Incomes	lei	1.754.906	1.891.868	
	Total exploitation costs		419.621.137	605.849.520	44,4



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In the years 2004, 2005, 2006, 2007, 2008, 2009, 2010 in the expenses with the staff there have also been included the meal coupons according to OMFP 3055/2009.

Compared with the year 2009, because of the increase in the physical production with 53%, the exploitation expenses have increased per total with 44,4%, by registering the following variations on categories of exploitation costs:

- Expenses with the raw materials and the consumable materials have increased with 66,1%, the main reason being the increase of the physical consumption for tiles with 46 % as well as the increase of the price for the raw material – tile with 14,65% generated at its turn by the increase of the price for the scrap iron.
- Expenses with the energy, the gas and the water have increased with 31,1% due to the increase of the physical consumptions for energy and natural gases. In comparison with the year 2009 the price for the electricity and for the natural gases have registered an average increase with 2%, the price for the electricity has increased with 1,6%, and the price for the natural gases with 2%.

- The salaries expenses had an increase of 21% compared with the year 2009. The average salary for 2010 compared with 2009 has increased after the updating of the salaries, for every semester, depending on the inflation index according to the collective labour contract that had been concluded at the company level but also after the increase of the negotiated salaries according to the collective labour contract. The actual number of staff on 31.12.2010 was of 1104 persons compared to 1020 persons on 31.12.2009. The average number of staff in 2010 was of 1058 persons compared to 1085 in 2009.

- The expenses concerning the sold goods (commercial activity) have decreased with 98,1% due to the change in 2010 of the way of sale of refractory materials, ferro alloys, graphite electrodes e.o. purchased from TMK Europe GmbH and marketed to TMK Resita SA; the value of materials is no longer reflected in the turnover and in the cost of goods.
- Other expenses from exploitation have increased with 118,6% compared to 2009 mainly due to the unredeemed value registration for the replaced component overhauls conducted during 2010, which were recognized in the book value of the tangible assets, and the penalties for late payment in 2010 of domestic suppliers of natural gas, electricity.

The company has registered a loss from the financial activity in sum of 62.917.422 lei as a consequence of the expenses for the interests and for the differences of exchange rate as it follows:

Net loss corresponding to the evaluation of the balances of availabilities, debts and debits	1.144.018
Net gain corresponding to the assessment of the investment credit from BCR	293.448
Net loss corresponding to the evaluation of loan balances from the group	30.548.847
Net loss corresponding to the collection and payment operations during 2010	227.414



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Incomes from interests for availabilities	1.763
Incomes from interests corresponding to the loan given to TMK-RESITA	8.266.533
Other financial incomes	3.426.405
Expenses with interests corresponding to the credit BCR in Eur for investments	687.427
Expenses with interests corresponding to the credits for the production activity	4.719.987
Expenses with interests corresponding to the loans from related companies	34.502.265
Expenses with interests corresponding to the financial leasing contracts	10.205
Other financial expenses	3.065.408
Financial result (loss)	-62.917.422

According to the provisions of OMFP 3055/2009, for the approval of the Accounting regulations in accordance with the european directives were evaluated monthly the balances of available funds, foreign currency receivables and obligations according to the BNR reference rates.

The instability of the national currency and the accentuated depreciation of the exchange rate leu/EUR and leu/USD, that has increased from 4,2282 lei/EUR on 31.12.2009 to la 4,2848 lei/EUR on 31.12.2010, respectively from 2,9361 lei/USD to 3,2045 lei/USD, had determined the registration of losses from the exchange rate differences corresponding to the debts and debits in a foreign currency existing in sum of 31.399.417 lei as well as losses from the exchange rate differences corresponding to the collection and payment operations in sum of 227.414 lei.

According to the provisions of OMFP 3055/2009, for the approval of the Accounting regulations in accordance with the european directives the correction of the significant errors corresponding to the previous financial exercises are done based on the reported result.

In 2010 there has been registered in the account 117 "Reported result" the sum of 5.034.797,89 lei, representing the following:

- -1.730.022,65 lei decrease of the incomes from sales from the previous years, after the solution of the claims concerning the quality and which had been formulated by the clients, for the value of the claimed material, that had been delivered in the previous years;
- 926.930,26 lei lei representing additional expenses pretended from clients and corresponding to quality claims which have been solved and that belong to the products that had been delivered in the years before 2010.
- 2.377.844,98 lei representing cancellation of the income recorded in 2009 for the consideration of tax for non-resident legal persons for the interest paid by TMK IPSCO in 2009.

We mention that the registration based on the reported result does not determine the modification of the financial situations from the previous years.



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THE SITUATION OF THE BANKING CREDITS AND OF THE LOANS :

The company registers on 31.12.2010 the following credits:

	<u>LEI</u>	<u>EURO</u>
Credit limit on payment instruments (promissory notes and checks) -CREDIT EUROPE BANK	2.727.421	
Credit limit on payment instruments (promissory notes and checks) – TRANSILVANIA BANK	4.592.935	
Overdraft Credit Line BCR ERSTE in EURO	78.770.344	18.383.669
Total short-term banking credits	86.090.700	18.383.669

- ♦ The sum of 78.770.344 RON corresponds to the exploitation credit – overdraft credit line in the limit of 18.400.000 EURO- contracted with BCR Slatina for one year, with an interest EURIBOR 3M plus 3%.
Final due date on 29.07.2011.
- ♦ The sum of 2.727.421 lei, corresponds to the credit limit for uncertified instruments (promissory notes and checks) of 3.000.000 contracted from Credit Europe Bank Slatina, with an interest of 11% on 31.12.2010.
Final due date on 01.04.2011.
- ♦ The sum of 4.592.935 lei, corresponds to the credit limit for uncertified instruments (promissory notes and checks) of 5.000.000 lei contracted from Transilvania Bank Slatina, with an interest of 10,5 %
Final due date on 09.02.2011.
- ♦ The company has contracted with BCR a limit of discount for the promissory notes in sum of 5.000.000 lei with an interest of ROBOR 3M +3% that can turn on in credit if customers don't settle the promissory notes to maturity. The value of the promissory notes discounted and endorsed in the same limit is on 31.12.2010 in sum of 4.855.337 lei.

Debts against the companies of TMK:

On the 31st of December 2010 S.C. T.M.K.-ARTROM S.A. has contracted a loan of 79.000.000 usd representing 253.155.500 lei from TMK IPSCO TUBULARS SUA with final maturity on 20.11.2011, with an interest of 10% per year which is paid half-yearly. The payment of the interests for the loan from TMK IPSCO TUBULARS SUA is realized each semestre on 20th May and 20th November.

For excessive interest (more than the maximum established by the BNR), the company pays tax.

For these credits T.M.K.-ARTROM S.A did not constitute any guarantees.

Other long term debts towards the affiliated entities

The company TMK EUROPE GmbH Germany (fex TMK SINARA HANDEL GMBH) is a creditor with the sum of 73.221.322 lei representing 22.837.540,03 USD and 38.425,07 RON, corresponding to the debit cession contract no. 054/20.02.2002 from AVAS (AVAB).

In 2010 there have been registered some unfavourable exchange rate differences, fact that has lead to an increase of the balance for the debt from 67.091.726 lei lei to 73.221.322 lei.

The company has constituted guarantees in the favour of the company TMK EUROPE GmbH Germany, in the following way:





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1. Second lien mortgage upon the lands in surface of 203.651,82 square meters and the built buildings
2. Real movable security without the dispossession of goods of the second level upon : the lamination line in hot conditions, rolling mill HPT 250, non-destructive control installation with ultra-sounds, rolling mill Assel AWW250, levelling machine D 38-90, Furnace TTF, rolling mill Pilger SKW75, heating installation based on induction, thermal treatment furnace for standardization and real movable security without dispossession of goods of the first level upon the other goods of SC TMK ARTROM SA according to the inscription no. 2004-1080142242453-QJU/24,03,2004.
3. First lien mortgage upon the lands in surface of 211.614,54 square meters and the buildings corresponding to SC TMK-ARTROM SA according to the contract no. 1869/14.10.2003
4. Real security without the dispossession of goods of the first level upon the other goods of SC T.M.K.-ARTROM SA according to the registration in the electronic movable achieve no. 2002-1034612284359-IUD/14.10.2003.

In AGAE from 17.11.2008 there has been approved the change of the nature and the payment delay for the debit due by the Company towards TMK EUROPE GmbH in sum of 22.837.540,03 usd in the following conditions. The debit will be paid in 57 monthly instalments since the date of 25.01.2014 and until the date of 25.09.2018 inclusively. The first 56 monthly instalments will have a value of 400.000 USD and the 57th instalment will have a value of 437.540.03 USD. The payment of the debit with a value of 38.425,07 RON of the Company towards TMK Europe GmbH from the 25th of January 2014 will be paid in USD at the official exchange rate RON/USD of the National Bank of Romania from the last working day of the year 2013. The debit will have a interest of LIBOR + 0.5% p.a. since the 1st January 2009.

The interest will be calculated and it will be paid in the 15th day of each month for the previous month.

The interest due by T.M.K.-ARTROM S.A. on 31.12.2010 is of 14.878,96 usd, respectively 47.680 lei.

During 2010 were contracted loans from TMK EUROPE totaling 17.000.000 eur, from which 15.000.000 eur were given to TMK RESITA. These loans have been repaid in full by TMK RESITA. TMK ARTROM has fully paid the laons to TMK EUROPE.

Leasing contracts:

On 31.12.2010 SC T.M.K.-ARTROM SA Slatina has concluded with Raiffeisen Leasing SRL Bucharest a contract of financial leasing for the acquisition of a commercial vehicle.

Other obligations and receivables:

As far as the obligations of the company towards the state budget, on 31.12.2010 the company has to pay the sum 6.750.947 lei which represents the current debt for the taxes and for the social obligations adequate for the salaries, income taxes for the non-resident legal persons which were required to offset with VAT refunded from the state budget.

According to the Decision no. 2/30.04.2008 issued by A.N.A.F.- D.G.A.M.C. starting with the month June 2008 TMK ARTROM SA is the representative of the fiscal group, made up of TMK ARTROM SA and TMK RESITA SA. By the ANAF decision no. 22/28.05.2010 the maintenance of the fiscal group tax was approved for a period of five years. The monthly obligation concerning the VAT to be paid by TMK RESITA SA is indemnified with the non - reimbursed VAT of TMK ARTROM SA by the discount of consolidated VAT of the fiscal group.



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The company has to recuperate from the state budget the Value Added Tax in sum of 9.061.262 lei, representing the VAT which has not been reimbursed and which belongs to the months of October, November 2010 of the fiscal group and 2.632.693 lei representing the VAT which has not been reimbursed and which belongs to the month December 2010 of TMK ARTROM SA as member of the fiscal group .

As far as the resting debts towards the suppliers are concerned, these have increased compared with the previous year from 5.351.748 lei to la 7.244.050 lei.

On the 31st of December 2010 SC T.M.K. - ARTROM SA has current commercial debts towards the companies of the group TMK of 10.208.714 lei from which towards TMK EUROPE GMBH Germany 8.972.508 lei representing materials purchased for its own activities and for sale on commission towards TMK RESITA.

The total debts of the company have decreased from la 500.795.169 lei on 31.12.2009 to 490.267.078 lei on 31.12.2010 as a consequence of the reimbursement of the loans given by the companies within the group and of the full repayment of the investment loan contracted from BCR.

The receivables that the company has to collect have increased from 104.270.198 lei on 31.12.2009 to 180.738.851 lei on 31.12.2010 representing:

1	Commercial receivables - total, from which	164.526.633
	- companies within the group	133.967.749
2	Effects to be received from clients	825.894
2	Receivables for staff and social insurances	608.230
3	Value added tax	11.731.536
4	Other debts for the state budget	2.157.043
5	Different debtors	576.676
6	Subscribed and non-paid capital	312.839
	total	180.738.851

On the 31st of December 2010 SC T.M.K. - ARTROM SA has to collect from the companies within the group TMK debts as it follows:

Client's name	LEI
TMK ITALIA	55.453.254
TMK EUROPE GMBH	30.659.887
TMK GLOBAL AG	35.263.780
Seversky pipe plant RUSIA	7.262
Taganrog metallurgical Works RUSIA	7.262
SC TMK RESITA SA	12.576.304
TOTAL	133.967.749





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T.M.K.-ARTROM has assured the financing of the production activity of TMK RESITA SA by commercial advances given for the deliveries of tiles towards TMK-ARTROM which had been in sum of 76.760.066 lei on 31.12.2010, sum which can be found in the position of stocks (according to the norms of balance) in the asset of the balance.

Also the loan given in accordance with the contract 3100 from 25.05.2004 towards TMK RESITA was on 31.12.2010 in sum of 48.194.809 lei and it can be found as a position of the balance sheet in the immobilized assets - financial immobilizations.

During 2010 were granted loans towards TMK RESITA in total sum of 15.000.000 eur, that were paid until the end of the year.

SC TMK-RESITA SA is the only supplier of raw materials (tiles) of TMK- ARTROM SA.

On the 31st of December 2010 the corporal immobilizations are presented at their exact value.

On 31.12.2008 there have been evaluated again the constructions according to the provisions of OMFP

1752/2005, concerning the approval of the accounting regulations according to the European decisions and to the Governmental Decision 1553/2003, concerning the re-evaluation of the corporal immobilizations. The last re-evaluation of the other corporal immobilizations took place on the 31st of December 2005, at their just value. At the re-evaluation from the 31.12.2005 the cumulated amortization has been eliminated from the gross accounting value of the asset, the net value being determined after the re-evaluation, being recalculated at the re-evaluated value of the asset, according to the rules of alternative evaluation mentioned by OMFP 1752/2005.

SC TMK-ARTROM SA has used for the accounting amortization of the corporal immobilizations, the linear amortization regime. The useful life duration used for the calculation of the accountant redemption for the fixed means are the ones established according with the policy of the group. For the calculation of the fiscal redemption there have been used the life durations established according to HG 2139/2004 for the approval of the Catalogue concerning the classification and the normal functioning durations for the fixed means. For the technological equipments, respectively machines, devices, and installations (the second group of fixed means), as well as for computers and their peripheral equipments, that have been registered during 2009, there has been used the regime of accelerated amortization, according to the art. 24, paragraph (6), point b) of the Law no. 571/2003. For the transport means that have been registered during 2009 there has been used the regime of digressive amortization, according to the art. 24, paragraph (6), point c) of the Law no. 571/2003. For the means of transport registered during 2010, there has been used the regime of digressive amortization, according to the art. 24, paragraph (6), point c) of the Law no. 571/2003. For the calculation of the fiscal amortization of the other existing fixed means from the balance on 31.12.2010, there has been used the regime of linear amortization.

The obligations foreseen by the law were fulfilled regarding the organization and the correct management of the accounting service up to date and the principles of the accountancy.

The rules for the elaboration of the balance sheet were observed and in conformity with the results of the inventory.

The balance sheet, the profit and loss account and the attached financial situations were elaborated through the correct taking of the synthetic and analytical accounts from the verification balance

The book-keeping is organized in double system according to the method Master - Chess by the automatic processing of the dates from the quantitative and value points of view.





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J 28/9/1991; VAT No: RO 1510210/1992;

Subscribed Share Capital: 291.790.747, 94 lei

Paid Share Capital: 291.476.491, 26 lei

At the beginning of the year 2008, the computer system and the applications based on FoxPro 2.6 have been totally moved on the platform SQL Server, and the connections between the administration manner and the fabrication/invoicing one has been realized during the year.

The Financial and Accounting Sub -system, which is a part of the Management Information System of SC T.M.K.-ARTROM SA, is made-up of programs and procedures which are specific for this activity, being the applications prepared for the current exploitation. The applications are written in a client-server configuration, with the databases administrated by a server Microsoft SQL 2000. The Client applications are written in Microsoft Access or C# and they are administrated and distributed at the central level, from a server of files.

The Accounting and Financial Compartments exploit these applications based on the personal access accounts for each user. The modules have been gathered, in the sense that many programs that exist in FoxPro have been included in a single SQL module. From this reason, the users' access to the information is more rapid, there being necessary a smaller number of exits from the application in order to start a new application. The access rights to the databases are agreed at the server level and they are organized on groups (roles) that imply the individual users. In this way, the moving of a user from a group to another automatically leads to the re-allocation of the access rights. The maintenance and the development of the databases and of the client programs are realized by the IT department within the company. The database is automatically archived at every 6 hours, constituting in this way security copies or comparative elements when necessary.

The relations between the entities of the database are agreed at the server level, by applying the concept of referential integrity. In this way there will be assured both the coherence of the data and also the impossibility of accidentally erasing some information, if there are records that would remain uncorrelated.

The database is date OLAP type (on-line analytical processing), providing data for all the compartments in real time. The system has an architecture that does not need to transfer the data or to archive them by eliminating the registrations, fact that assures a bigger access speed to the historical data.

The information system can hold an unlimited number of users and it is accessible for the authorised users by the Internet, being based on the access manner to the server by the protocol TCP/IP.

The security and the integrity of the databases are realized by the facilities that are offered by the SQL Server (roles, users, triggers).

In 2009 there has been realized the migration from SQL Server 2000 to SQL Server 2005 and the integration of the modules in Active Directory, allowing in this way the centralized administration of the acces accounts. There has been performed the automatic reporting module of the production and for the deliveries.

Since October 2007, SC TMK ARTROM SA uses to calculate the salary obligations and the staff register the application WIZSALARY contracted from the company WIZROM SRL Bucharest.



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Financial indicators:

Incomes / Expenses		
	2009	2010
Incomes	441.696.576	665.822.119
Cost of the sold goods	-365.743.676	-535.216.363
GROSS PROFIT	75.952.900	130.605.756
%	17,2	19,6
Expenses for sale, administration and general expenses	-55.393.232	-68.877.496
Other incomes	7.701.846	10.489.580
EBITDA	28.261.514	72.217.840
%	6,40	11
Amortization	-19.015.032	-20.165.504
Operational Profit	9.246.482	52.052.336
Incomes /Expenses from the differences of exchange rate	-9.209.972	-31.626.831
Other financial incomes / financial expenses	1.094.429	360.997
EBIT	1.130.939	20.786.502
Incomes/Expenses with the interests	-34.438.740	-31.651.588
EBT	-33.307.801	-10.865.086
Profit tax	28.667	32.250
Net Profit	-33.336.468	-10.897.336



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Financial indicators		
	2009	2010
EBIDTA / CA (%)	6,40	10,85
EBIT / CA (%)	0,26	3,12
Cost for the sold goods / CA (%)	82,80	80,38
Indicators. Current liquidities	1,95	2,32
Indicators.Immediate liquidities	0,52	1,18
Indicator for the debt degree	49,48%	52,51%
Indicator of the interests covering	0,11	0,66
Speed of the stocks (stocks circulating capital)	1,28	2,16
Number of stocking days	285	169
Rotation speed of debtors-clients	69,6	62,6
Rotation speed of the supplier- credits	36,23	33,42
Rotation speed of the immobilized assets	1,04	1,62
Rotation speed of the total assets	0,54	0,84
Used capital profitableness	0,01	0,04
Gross margin from sales	2,1	7,9



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Non- financial indicators - performance key- relevant for specific activities

Indicators	2009	2010
Production of pipes(tons)	107.936	165.095
Sales of pipes (to)	114.175	169.311
Production of pipes/Employee (tons/employee)	99,48	156,04
Sales of pipes/Employee (tons/employee)	105,23	160,03

Information regarding the environment

The top management of TMK-ARTROM has established the company's policy in the field of quality management and the environment management and it makes sure that it:

- a) -is suitable for the goals of the organization;
- b) - includes the commitment for the continuous improvement and anticipation of the demands;
- c) -it creates a frame for the establishment and analysis of the objectives in the area of quality management and environment management;
- d) - is transmitted and understood at the appropriate levels of the organization;
- e) - is submitted to systematic analysis for adequacy and continuity.

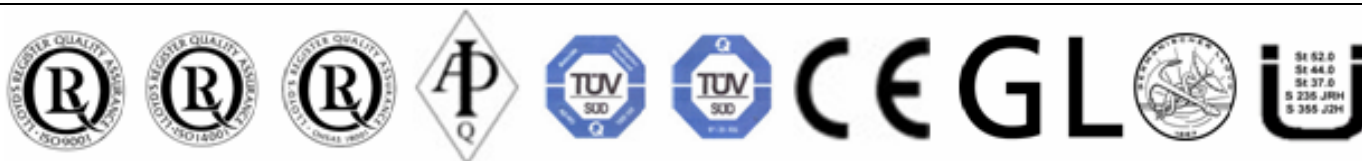
TMK- ARTROM has established the manner of identifying the environment aspects that are generated by the company's activities or products in order to determine their potentially significant impact on the environmental factors in the area.

The identified environmental aspects are:

- General environmental aspects
- Significant environmental aspects

The identification/establishment of the general and specific environmental aspects was done on the basis of the following documents:

- Studies made by authorized institutions, regarding the impact of the company's activity on the environmental factors;
- The legislation in force;
- Recordings of the corrective and preventing measures that were traced as a result of the specialized inspections done by the Environmental Protection Agency from Olt, the System of Water Administration from Olt county, the Territorial Labour Inspectorate, The Public Health Direction;





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- Recordings of the measures that were imposed by the authorizations: the water administration authorization and the environmental authorization;
- Analysis bulletins, following the measurements that were made on the environmental factors (water, air, soil);
- Complaints and claims.

In order to determine the activities and products that can have a significant impact on the environment TMK-ARTROM constantly monitors the impact of its activities and products upon the environment.

The compartments or the functions that are responsible for these activities are determined in the system procedures, working proceeding/instructions and the job descriptions.

To ensure the access to the normative acts in force (including the ones referring to the environment matters) TMK-ARTROM is a subscriber to the "Official Monitor" in computerised form. Also, a legislative soft is available on the Intranet.

At the establishment of the general and specific objectives for the environment, the highest level management has in view the declared environmental policy, the commitment of the management, the legal provisions on the matter and other requests, the environmental aspects that were identified, the technological options and the commercial/financial demands of the company.

By these plans, the responsibilities are established and the necessary resources are estimated for the reach of the environment objectives that have been agreed.

The planning activity for the environmental management sums up:

- planning of the objectives/targets and of the necessary resources;
- elaboration of the environmental management programs;
- implementing of the environmental management programs;
- activities of verifying/monitoring of the environmental management programs.

The Staff Policy

The remunerations of the employees are paid in lei, in the conditions mentioned by the Collective Labour Contract and by the relevant legislation. In this sense the salaries have been updated on semesters depending on the inflation growth factor and they are guaranteed in proportion of 80% no matter what the realized production volume is, which transforms this part of the cost from a variable into a fixed cost

The effective number of employees that exists on 31.12.2010 was of 1104 employees in increase with 84 employees compared with the number of employees registered at the end of the year 2009 of 1020 employees.





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2. Important events that appeared after the end of the financial exercise

3. Information about purchasing own shares

Not applicable

4. The existence of subsidiaries of the entity

The company can open subsidiaries, agencies, working points, offices, representatives in every city from the country and abroad but with concern about the laws regarding foundation.

The company has the following secondary offices:

in Slatina locality, Ec. Teodoroiu street, block V 23, ground floor, Olt county

in Slatina locality, Ec. Teodoroiu street, block V 22, ground floor, Olt county

in Bucharest locality, Daniel Danielopolu street, no. 2, sector 1 - Representation point

5. Usage by the entity of the financial instruments, in the case when this is significant for the evaluation of its assets, debts, its financial position, and for its profit or loss:

The activity realized by S.C. T.M.K.-ARTROM S.A. in the year 2010 has tried to reduce as much as possible the exposure of the company in front of the market risk, of the credit risk, of liquidity and treasury risk.

The company was not exposed to internal risks:

The risks regarding supplying and selling contracts (which had not been paid by the suppliers, the narrowing of the selling market) were diminished by the fact that the main supplier for the raw material is the company TMK-RESITA within the group, and 80% of the production is designated for the export, which is realized by companies within the group TMK Moscow (related to the main shareholder TMK EUROPE).

The technological risks (the impossibility of purchasing modern technology because of the problems mainly concerning the financing of the investments) didn't exist so the company has ended the major investments. For the following period the company launched a new investment program intended to increase the value added of the production and the diversification of the services level to customers.

In the year 2010 S.C. T.M.K.-ARTROM was not confronted with the following risk categories:

1. risks generated by the human factor (strikes, non-competencies)
2. informational risks (the impossibility to keep up with the new market tendencies)

During 2010, SC TMK-ARTROM SA has been confronted with external risks manifested by the business environment, determined by the effects of the economic and financial crisis and by the practice of dumping prices for the steel pipes by China, Belarus, Ukraine.

In the case of S.C. T.M.K.-ARTROM, the present and future cash flows are sufficient so as not to modify the reports between the creditors and the shareholder.

In order to protect itself against the price risk, TMK-ARTROM establishes the product selling price, starting from the price calculation through negotiation with the business partners depending on the prices on the sale market in order to ensure efficiency stage.





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At the beginning of the year the frame contracts are concluded for selling the products on export with the Commerce Houses inside the group.

The final clients transmit the orders by means of the distribution channels, the realisation time of the order will be about 45 days for the hot products and 60 days for the cold ones and the price for each order will be established according to the catalogue prices and to the sale markets.

The market of the pipes produced by T.M.K.-ARTROM has been increasing the sales volume in 2010 exceeded annual sales volumes in previous periods.

In the sales analysis there are always followed all the value influences on quantity, structure and price.

In the relations with the related companies, TMK-ARTROM uses only the market prices and it controls the structure of the sale price till the first unrelated client from the market, the market fluctuations being reflected in the sale price towards the related companies.

The currency risk represents the potential effect which could have the change of exchange rates on the profit and losses account and over the balance sheet of TMK ARTROM SA.

The management of the exchange rate had and has as an aim to minimise the losses which could appear when exchanging from a currency to another.

On a short term, the administration of the risk for the currency exchange has proposed and still proposes that the expenses elements which form the cost of the operations realized in order to avoid the losses should be smaller than the loss which could produce without a protection against the currency exchange risk.

We wanted that the payments in a certain currency should be done in that currency, by eliminating in this way the cost for the exchange rate.

The currency auctions are negotiated with the bank and have here in mind the best exchange rates for the operation with big values

On a long term, it is followed that the protection expenses for the exchange rate should be as small as possible so as they could represent the smallest part in the total of the losses which have come from the risk of exchange rate.

The company has not concluded any contracts for derivated operations with foreign currency transactions.

6. Share capital and shares

a) Structure of the capital, including mobile values that are not admitted for transactions on a regulated market, indicating the different classes of the shares, and, if applicable, for each class of shares, the rights and the obligations attached to that class and the percentage of the total authorized share capital that they represent.

The social capital on 31.12.2010 is of 291.790.747,94 lei divided in 116.251.294 shares, with a nominal value of 2,51 per share.



ISO 9001



ISO 14001



OHSAS 18001



5CT-0440
5L-0352



AD-2000 W0 /W4 PED 97/23/EC
TRD 100/102,
Vd TUV



EN 10210-1, 2
EN 10255



GL RULES



DIN 1629
EN 10210



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The shareholders structure on 31.12.2010 is as following:

	%	No. of shares	Share capital value, from which:	Share capital paid lei	Share capital unpaid lei
TMK EUROPE GmbH Koln Germany	92,6637	107.722.706	270.383.992	270.383.992	0
Other shareholders natural and legal persons	7,3363	8.528.588	21.406.756	21.092.499	314.257
Total	100	116.251.294	291.790.748	291.476.491	314.257

The social obligations are guaranteed with the social patrimony, the shareholders being responsible only till the concurrence of the subscribed social capital.

The owned shares confer for the shareholders the right to vote and dividends.

The shares are nominal, non-materialized, numbered.

They are entered in transactions on the market of share capital at the Stock Exchange Bucharest at the IInd category and they have the market symbol "ART".

b) any restrictions concerning the transfer of mobile values, such as limitations on holding value titles or the need to obtain the approval of the entity or of other mobile values holders.

There are no restrictions regarding the transfer of mobile values.

c) significant holding of shares, direct or indirect (including indirect holding through pyramidal structures and crossed holding of shares, as they are defined in the standing orders regarding the stock exchange)

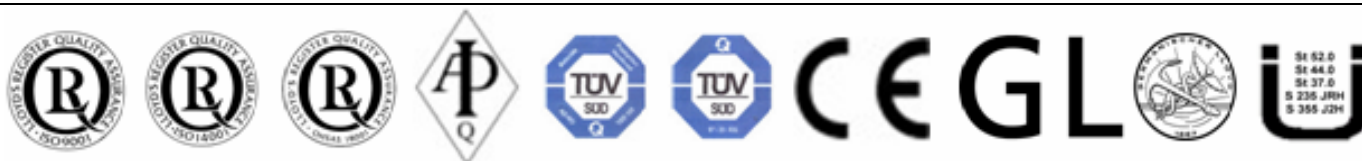
There is no significant indirect share holding, the direct ones are presented at point a)

d) holders of any mobile value with special control rights, and a description of those rights

Not applicable

e) control system of any share- distribution diagram, towards the employees, in case the control rights are not exercised directly by the employees

Not applicable





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f) any restrictions regarding the voting rights, such as the limitations of the voting rights for the holders of an established percentage or number of votes, the terms of exercising of the voting rights, or the systems through which, by cooperating with the entity, the financial rights that are attached to the mobile values are separated from holding the mobile values

Not applicable

g) any agreements between the shareholders that are known by the entity and that can have as a result restricting the transfer of mobile values and/or voting rights

Not applicable

h) rules regarding the election or replacing of the members of the administration board and the modification of the incorporation deed of the entity;

The Ordinary General Meeting

- elects the members of the Administration Board, sets their remuneration, discharge them from duty and revokes them ;
- sets the competences and the responsibilities of the Administration Board

The Extraordinary General Meeting decides:

- any other modification of the incorporation deed or any other decision that requires the approval of the extraordinary general meeting

i) powers of the members of the administration board and especially those referring to the emission or buyback of the shares;

Not applicable

j) any significant agreements at which the entity is part, that come into effect, modify or cease depending on the modification of the entity's control as a result of a public takeover offer, and the effects that derive from these, except for the case when the presentation of such information would seriously damage the entity.

This exception does not apply to the case when the entity is especially bound to present such information, according to other legal provisions.

Not applicable

k) any agreements between the entity and the members of its administration board or its employees granting compensations in case they resign or are fired without reasonable cause, or if the employment relation ceases because of a public takeover offer.

In accordance with individual labour contracts.



ISO 9001



ISO 14001



OHSAS 18001



5CT-0440
5L-0352



AD-2000 W0 /W4 PED 97/23/EC
TRD 100/102,
Vd TUV



EN 10210-1, 2
EN 10255



GL RULES



DIN 1629
EN 10210



**Corporate governance.****a) with reference to the corporate governance code that the entity has voluntarily decided to apply**

The company management assures, within the Corporate governance Code that is voluntarily applied by the company, the observance of the principles included in the Corporate Governance of the Stock Exchange Bucharest.

Starting with the 1st of March 2006 TMK-ARTROM SA is a related company with the companies of the Group TMK, being controlled by the German company TMK – Europa which has as the sole shareholder the Russian company OAO TMK.

Although, TMK-ARTROM is administrated and managed as an independent company by observing the legislation concerning the capital market and the principle of equal protection for the interest of any shareholder.

TMK-RESITA is also a part of the same group of companies, but according to the Order of the Minister of Finances no. 2001/2006 it is not necessary to draw up consolidated situations.

In Romania TMK-ARTROM is related with TMK-RESITA that is controlled by the same shareholder. There are not reported consolidated financial situations for the two companies, these ones not accomplishing the conditions mentioned by the law concerning the obligation for the consolidated financial reports.

T.M.K.-ARTROM also tries to constantly assure the fact that its activities are according to the global standards of financial opening and transparency.

This approach promotes the Company's credibility in the eyes of investors, partners and state authorities.

The corporate governance of TMK-ARTROM has been considerably improved in time and it is indeed in a continuous process of modernization according to the international standards.

The corporate governance is based on respect of the rights and legitimate interests of the shareholders.

It encourages effective corporate activities, including increases in the value of the Company's assets, the creation of jobs and the support of the company's financial stability and profitability.

The corporate governance principles applied at the company level are available to the public and they can be obtained on the site of the company www.tmk-artrom.ro

b) if the entity derogates form the corporate governance code that is to be applied or that it has chosen to apply, according to the national law, an explanation regarding the parts of the code that it doesn't apply, and the reason why

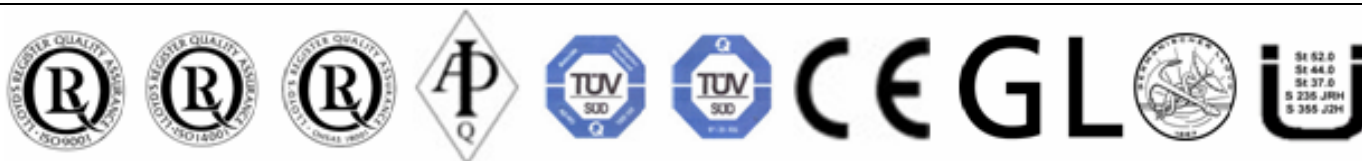
Not applicable ;

c) a description of the main characteristics of the internal control and of the systems of risk management, in relation with the financial reporting process

The company's administration shall be controlled by the shareholders and by the financial auditor, according to the legal provisions from Romania.

The internal audit is done according to the provisions of the art.20 of the Emergency Governmental Order no. 75/1999 regarding the auditing acts.

The objectives of the internal audit are commonly agreed with the company's management-and The Administration Board, because the main role of the internal auditing according to the legal provisions is that of assisting the company's management in the process of making decisions and that of following the manner in which these decisions are applied.





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According to the Accountancy Law no. 82/1991 and to the Order of the Ministry of Finances no. 522 from the 16th of April 2003 (updated) for the approval of the general Methodological Norms concerning the exercise of the preventive financial control, it was updated the Decision of preventive financial control with no. 363/ 13.07.2006, which regulates the organizing and exercise of the preventive financial control on the company's level.

In the field of Quality and Environmental Management , some internal auditing procedure were issued, documenting the way in which the company manages the internal auditing procedures in order to determine if the Quality and Environment System complies with the auditing criteria: the demands of the reference standards, ISO 9001, API Q1 and ISO 14001, as well as self-given documents on the matter.

Asset control is also made, annually, through the annual inventory, by the decision of the company's management and with establishment of an annual inventory-making schedule.

The financial reports which have been elaborated by observing the national legislation are audited by Evcon Expert Audit SRL.

The annual reports were audited by Ernst&Young, with the purpose of consolidating the financial situation on the level of the group TMK Moscow.

d) the realization manner of the general meeting of shareholders, its key-attributes, as well as a description of the rights of the shareholders and the way the rights can be exercised

The general meeting of shareholders is the company's management body, which decides on its activity and ensures its economic and commercial policy.

General meetings are ordinary and extraordinary.

THE ORDINARY GENERAL MEETING is held at least once a year, within 5 months from the end of the financial year, and has the following duties:

- a/ to discuss, approve or amend the annual financial statements, on the basis of the reports presented by the Administration Board and by the financial auditor and to set the dividends;
- b/ -to elect the members of the Administration Board, to set their remuneration, to and decide on their management;
- c/ to set the powers and the liabilities of the Administration Board;
- d/ to approve and amend the company's business plan and budget;
- e) to decide to pledge, rent or close one or more of the company's units;
- f/ to appoint or to revoke the financial auditor and to fix the minimal duration of the contract of financial audit

THE EXTRAORDINARY GENERAL MEETING shall be held whenever it is necessary and shall adopt resolutions on:

- a / the change of the Company's legal form;
- b / the change of the Company's registered office;
- c / the change of the Company's object of activity;
- d / the extension of the Company's duration;
- e / the increase of the share capital;
- f / the decrease of the share capital or its replenishment by an issue of shares;
- g / the fusion with other companies or the split-up;
- h / the Company's anticipated dissolution;
- i / the issue of bonds;
- j / the conversion of shares from one category to another;
- k / the conversion of bonds from one category to another or into shares;
- l / any other amendment of the Incorporation Deed or any other resolution requiring the approval of the extraordinary general meeting of shareholders;





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E-mail: office.slatina@tmk-artrom.ro; www.tmk-artrom.ro

J 28/9/1991; VAT No: RO 1510210/1992;

Subscribed Share Capital: 291.790.747, 94 lei

Paid Share Capital: 291.476.491, 26 lei

m / The following duties are appointed by the Rules of the Administration Board:

- the change of the Company's registered office
- the change of the Company's object of activity excepting the main object of activity;
- the setting up or the closure of secondary establishments: branches, agencies, representative offices and other similar units without a juridical personality

e) structure and operating mode of the bodies of administration, management and supervision and of their committees during the reported period.

The company is administered by an Administration Board that is made up of the following persons:

1. Marous Josef- President
2. Adrian Popescu- General Manager
3. Andrey Zimin
4. Sergey Marchenko
5. Evgeny Makarov
6. Dmitry Chernichenko
7. Konstantin Semerikov

The attributions of the Administration Board :

The Administration Board is responsible for all the acts that are necessary and useful for the realization of the Company activity object, excepting the prerogatives which had been exclusively reserved for the general meeting of the shareholders or for the attributions given to the Managers of the Company.

The Administration Board has the following basic competences that cannot be delegated to the managers:

- ♦ agreeing upon the main activity and development directions for the Company;
- ♦ agreeing upon the accounting, control and financial system and upon the approval of the financial planning;
- ♦ appointing and revoking the managers and agreeing upon their remuneration;
- ♦ supervising the activity of the managers;
- ♦ preparing the annual report, organizing the general meeting of the shareholders and implementing its decision;
- ♦ introducing the request for the opening of the insolvency procedure.

The Administration Board represents the company only in the relations with the General Manager and the other managers.

The Administration Board can create consultative committees made up of at least two members of the Board and who are responsible for realizing investigations and for elaborating recommendations towards the Board in different fields such as the audit, the remunerations of the administrators, the internal auditors, and the staff. The organization, the operation and the competences of such consultative committees will be agreed by the Decision of the Administration Board according to the applicable legal provisions.



ISO 9001



ISO 14001



OHSAS 18001



5CT-0440
5L-0352



AD-2000 W0 /W4 PED 97/23/EC
TRD 100/102,
Vd TUV



EN 10210-1, 2
EN 10255



GL RULES



DIN 1629
EN 10210





S.C. T.M.K. - ARTROM S.A.

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The company is administrated by a Board of Directors made up of the following persons:

1. Adrian Popescu – General Manager (CEO)
2. Vaduva Cristiana – Deputy Economic General Manager (CFO)
3. Drinciu Cristian – Deputy General Manager for Operations (COO)
4. Mustata Valeru – Deputy Sales General Manager (CCO)

The General Manager represents the Company in the reports with third parts and he has full competences of employing, dismissing, fixing the remuneration for all the employees and fixing and modifying in any moment the organizational chart for the Company.

The company is represented in the reports with third parts, including but without limitation to the financial institutions, all degrees judgement courts, governmental authorities, by all the persons acting together or separately, according to the mentions from below:

- a) by the General Manager acting individually ; or
- b) by the Deputy General Manager for Operations (first signature) acting together with the Deputy Financial and Economic General Manager (second signature), or;
- c) by the Deputy Sales General Manager - Logistics (first signature) acting together with the Deputy Financial and Economic General Manager (second signature).

The members of the bodies of administration and management must assure the fact that the annual financial statements and the administrators' report are drawn up and published according to the national legislation.

GENERAL MANAGER

Eng. Popescu Adrian

**ECONOMIC AND FINANCIAL
CFO DEPUTY GENERAL MANAGER,**
Ec. Cristiana Vaduva

